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C O N F I D E N T I A L CARACAS 000874

SIPDIS

NSC FOR CBARTON  
ENERGY FOR DPUMPHREY AND ALOCKWOOD  
TOKYO FOR SFLATT

E.O. 12958: DECL: 03/22/2015

TAGS: [EPET](#) [VE](#)

SUBJECT: NEW OFF-SHORE OIL & GAS ROUND IMMINENT

Classified By: Economic Counselor Richard Sanders; for reasons 1.4 (b)  
and (d)

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SUMMARY  
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1. (C) After more than a year of delays, it appears the GOV is ready to launch a new bid round for oil and gas exploration blocks in the Gulf of Venezuela and off Falcon state. ChevronTexaco de Venezuela confirmed March 23 that it had received an invitation to an April 4 ceremony launching the round. The Ministry of Energy and Petroleum (MEP) has approached the Embassy to confirm contact information for a number of U.S. independents. The Chavez administration has not had much success running such rounds; thus, there will be a lot riding on this for Minister of Energy and Petroleum Rafael Ramirez\_ and his team. End Summary.

2. (C) It appears that a long-awaited bid round for oil and gas exploration blocks located in the Gulf of Venezuela and off Falcon state may finally be imminent. The GOV has said publicly for more than a year that the round would be held shortly. Most recently, Energy Minister Ramirez\_ said it would be launched on March 28. In an interesting commentary on President Hugo Chavez's involvement in such details, an Energy Ministry staffer informed a Commercial Section FSN on March 21 that the launch had been delayed once again because Chavez had instructed the Ministry to doublecheck company contact information.

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U.S. INVITEES  
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3. (U) The Ministry of Energy and Petroleum (MEP) contacted the Embassy Commercial Section March 21 to verify contact information for a number of U.S. independents including: Anadarko, Apache, Devon Energy, El Paso, and Occidental Petroleum Co. Texas International Petroleum, which we believe may be a new start-up, was also mentioned by the Ministry staffer. ChevronTexaco de Venezuela subsequently confirmed to econoff March 23 that it had received an invitation to attend an April 4 ceremony launching the round.

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BIDDING ON WHAT?  
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4. (C) Hard information on what the round will consist of has been impossible to obtain so far. Although the press is discussing the possible auction of 32 off-shore blocks, we believe this may be the beginning of a multi-tranche process. PDVSA Vice President for Exploration and Production Luis Vierma told econoff February 3 that the round will focus on 950 square kilometer blocks in the Gulf of Venezuela and off Falcon state. (Note: In February 2004, PDVSA announced that these tracts could hold as much as 18 billion barrels of oil and 100 trillion cubic feet of natural gas.) He emphasized that the blocks in the Gulf of Venezuela will not include any areas contested by Colombia. Vierma said the MEP was considering a multi-tranche approach, i.e., offering 6-7 blocks in a first round and following it up a month or two later with a second round.

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THIRD BID ROUND UNDER CHAVEZ  
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5. (C) The Chavez administration's experience with bid rounds has been somewhat less than fully successful. An auction of on-shore gas blocks in June 2001 met with a lukewarm response while the December 2002 offering of four blocks in the off-shore Deltana Platform natural gas project resulted in three bids on two blocks. While this result could be explained by the effects of the December 2002 national strike, a subsequent effort in September 2003 to re-bid Blocks 3 and 5 of the Deltana Platform yielded one bid on Block 3 by ChevronTexaco. While there has been most emphasis on the possibility of natural gas in the Gulf of Venezuela

and Falcon blocks, it is clear that exploration could also yield oil or condensates. Such a discovery would shift the legal status of the block out of the purview of the more flexible Gaseous Hydrocarbons Law to the 2001 Hydrocarbons Law. No deals have yet been negotiated by the Chavez government under this law.

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COMMENT  
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16. (C) The Ministry staffer who contacted the Commercial Section slipped and included the name of an Indian oil company in the list she gave the FSN. It appears that the invitation list is a long one that will include many companies from countries that have now been annointed by President Chavez as Venezuela's favored partners. So far, with the exception of ChevronTexaco, we have not been able to verify that any other U.S. company has received an invitation. Given the delays that have attended Chavez Adminstration efforts to get this process off the ground and the relative lack of success of earlier rounds, there will doubtless be a lot riding on this for Minister of Energy and Petroleum Rafael Ramirez\_ and his team. High expectations of the yield of this round, coupled with the current high oil price environment, may lead the GOV to drive hard bargains, imposing onerous national partnership or content requirements. Brownfield

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